

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4965-02
Bill No.: HCS for HB 1210
Subject: Taxation and Revenue - Income; Revenue Dept.
Type: Original
Date: March 27, 2012

Bill Summary: This proposal would authorize a clearinghouse to process an offset against income tax refunds and lottery winnings to satisfy an outstanding debt for ambulance services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$220,167) to Unknown	(\$217,805) to Unknown	(\$220,031) to Unknown
Total Estimated Net Effect on General Revenue Fund	(\$220,167) to Unknown	(\$217,805) to Unknown	(\$220,031) to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	6	6	6
Total Estimated Net Effect on FTE	6	6	6

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of State Courts Administrator**, the **Department of Insurance, Financial Institutions, and Professional Registration**, the **Department of Health and Senior Services**, and the **Department of Social Services** assume this proposal would have no fiscal impact to their organizations.

Officials from the **Missouri Lottery** (Lottery) assume this proposal could negatively impact player behavior by allowing offset of lottery prize payouts for public ambulance services. Lottery officials stated that staff resources would be necessary to process the offsets, and the proposal would also require IT programming costs and ongoing accounting resources.

Lottery officials provided an estimate of \$100,000 for programming to the Lottery check writing system to accommodate the new offset category, an unknown revenue reduction to the Lottery Enterprise Fund, and an unknown cost for administering the offset process.

Oversight assumes the IT programming cost and staff time for an additional payment offset could be absorbed by the Lottery with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented, resources could be requested through the budget process. Oversight assumes that any reduction in player activity would be minimal.

ASSUMPTION (continued)

Officials from the **Excelsior Springs Medical Center** assumed there would be no fiscal impact to their organization from a previous version of this proposal since their organization does not operate an ambulance service.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed a previous version of this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would allow for an offset against an individual's income tax refund to pay delinquent taxes owed by a taxpayer to the state of Missouri, debts owed by such taxpayer to any state agency, any support obligation owed by such taxpayer which is enforced by the Division of Family Services on behalf of a person who is receiving support enforcement services, collection assistance fees, eligible health service claims, and delinquent taxes owed by the taxpayer to the United States.

This proposal would increase General and Total State Revenues by unknown amounts to the extent this proposal would reduce refunds by amounts deducted for outstanding tax liabilities and debts to state agencies. This proposal would also result in collection assistance fees which would be deposited into the General Revenue Fund.

Officials from the **Department of Revenue** (DOR) assume this proposal would provide DOR with the authority to offset an income tax refund in specific situations and would provide the order of priority in which offsets would be paid. DOR and ITSD-DOR would need to make programming changes to various processing systems.

Administrative impact

DOR officials assume that Personal Tax would require two additional FTE Revenue Processing Technician I (Range 10, Step L) to process correspondence and do apportionments, and one additional FTE Accountant I (Range 18, Step M) to administer the money. DOR does not include an Accountant II in its pricing structure, this range and step only approximates the actual range and step.

ASSUMPTION (continued)

DOR officials also assume that Collections and Tax Assistance would require one additional FTE Tax Collection Technician I (Range 10, Step L) per 15,000 additional contacts annually on the delinquent tax line, one additional FTE Tax Collection Technician I (Range 10, Step L) per 24,000 additional contacts annually on the non-delinquent tax line, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually in the Tax Assistance Offices.

The DOR estimate of cost to implement this proposal including six additional FTE and the related employee benefits, equipment, and expense totaled \$250,760 for FY 2013, \$255,815 for FY 2014, and \$258,496 for FY 2015.

Oversight assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2013 could be reduced by roughly \$5,000 per employee.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of expense and equipment cost in accordance with OA budget guidelines. Finally, Oversight assumes that a limited number of additional employees could be accommodated in existing office space. If unanticipated costs are incurred as a result of the implementation of this proposal or if multiple proposals are implemented which increase DOR costs or workload, resources could be requested through the budget process.

IT impact

DOR officials also provided us with an estimate of the IT cost to implement the proposal of \$120,204 based on 4,536 hours to make programming changes to several tax processing systems.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

ASSUMPTION (continued)

Oversight assumes that the proposed DOR collection assistance fee would generate additional revenue but cannot determine whether the revenue generated would offset the expected DOR costs to operate the notification, appeal, hearing, and other costs required to implement this proposal. Oversight will use the DOR estimate of cost to their organization, as adjusted, and will indicate an unknown amount for collection assistance fee revenue.

Officials from the **Taney County Ambulance District** assume this proposal would have a positive impact on their organization but did not provide an estimate of the amount of additional revenues which might be collected.

Oversight did not receive any other responses from Missouri ambulance or fire protection districts.

Although **Oversight** is not able to estimate the number or amount of unpaid ambulance service accounts which might be collected, Oversight assumes there would be a significant number and significant amounts involved. Oversight also notes that a significant number of ambulance service providers are local government agencies. For fiscal note purposes, Oversight will indicate unknown additional revenue to local governments for this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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GENERAL REVENUE FUND

<u>Revenue - Department of Revenue</u>			
Collection assistance fees	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>Cost - Department of Revenue</u>			
Salaries (6 FTE)	(\$116,400)	(\$139,680)	(\$141,077)
Benefits	(\$61,110)	(\$73,332)	(\$74,065)
Expense and equipment	<u>(\$42,657)</u>	<u>(\$4,793)</u>	<u>(\$4,889)</u>
Total	<u>(\$220,167)</u>	<u>(\$217,805)</u>	<u>(\$220,031)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$220,167) to Unknown</u>	<u>(\$217,805) to Unknown</u>	<u>(\$220,031) to Unknown</u>
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Estimated net FTE impact on General Revenue Fund	6	6	6
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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LOCAL GOVERNMENTS

<u>Additional revenues - collection of unpaid ambulance service bills</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which provide ambulance services.

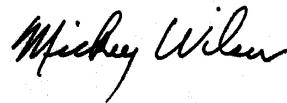
FISCAL DESCRIPTION

The proposed legislation would allow debts owed to ambulance service providers to be collected from income tax refunds and lottery winnings of patients.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Health and Senior Services
Department of Insurance, Financial Institutions, and Professional Registration
Department of Revenue
Department of Social Services
Missouri Lottery
Taney County Ambulance District
Excelsior Springs Medical Center



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